DOCKET FILE COPY ORIGINAL RECEIVED

MAY 15 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Forward-Looking Mechanism for High Support for Non-Rural LECs	)	CC Docket No. 97-160
	)	
Comments on High Cost Proposals	)	DA 98-715

COMMENTS OF AMERITECH

Pursuant to the Common Carrier Bureau's Public Notice in the above-captioned matter,[1] Ameritech[2] submits these comments on various proposals for high cost universal service support.

At the outset, it is important to understand several little known facts about federal universal service support. First, that support has historically been directed to companies whose

[1] Public Notice, DA 98-715 (released April 15, 1998).

[2] Ameritech means: Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company, and Wisconsin Bell, Inc.

RECEIVED

MAY 15 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

local rates are, more often than not, below the local rates of non-recipients. Listed below are some examples of the local rates of several federal high cost support recipients:

State	Company	Residential Local Rate $/Line/Month	Current Annual Federal High Cost Support $/Loop/Month*
Michigan	Allendale	$3.76	$5.94
Michigan	Island	$5.94	$52.82
Michigan	Drenthe	$6.99	$8.07
Michigan	Peninsula	$7.56	$13.04
Ohio	Pattersonville	$5.00	$13.09
Ohio	Doylestown	$6.00	$8.43
Ohio	Kalida	$6.00	$7.13
Wisconsin	Amery	$7.37	$ 7.30
Wisconsin	Farmers	$6.80	$ 6.59
Wisconsin	Nelson Telephone Coop.	$7.65	$ 7.70
Wisconsin	Mid Plains	$7.90	$ 4.09
Wisconsin	Bergen	$7.85	$41.31
Wisconsin	Clear Lake	$7.25	$ 9.01

* Sum of High Cost Loop Support, DEM Weighting, and Long Term support for 1998.

Ameritech's rates for residential service are $13.00/month in Michigan, $15.00/month in Ohio, and $12/month in Wisconsin. Ameritech does not receive any federal high cost support.

Second, federal universal service support is sometimes directed to companies whose need for it may be questionable in light of the advanced state of their network. Some recipients of federal support have networks that are capable of providing services that go well beyond the definition of "universal" or "basic" service. The following table lists two such examples:

Company	Current amount of Federal High Cost Support	Services offered
Valley Telephone (Texas)	$6.2 Million annually $92/loop/month	• High speed Digital Subscriber Line (xDSL) • All fiber optic digital network
Roanoke & Botetourt (Virginia)	$1.5 Million annually $14/loop/month	• High speed wireless access to Internet • ISDN • MMDS based wireless cable

In both of these cases, substantial amounts of federal support are being provided to companies whose need for it to provide "basic" service is questionable, at best. Sound public policy would direct funding to companies and subscribers who need the support in order to provide basic connectivity to the network at affordable rates.

These facts clearly demonstrate that demands to expand federal high cost funding beyond current levels is premature -- at least until the states have taken a serious look at the intrastate aspects of universal service.

That being said, Ameritech maintains that all the high cost proposals should be evaluated against Chairman Kennard's "8 Principles" for universal service.[3] Ameritech agrees that those principles provide a solid framework for moving forward to achieve the universal service goals set by the Telecommunications Act of 1996 ("TA96"). As shown below, the Commission's 25%

[3] Address to the National Association of State Utility Consumer Advocates, February 9, 1998.

plan, modified to permit rural carriers to continue to recover the interstate high cost support that they receive today, best fulfills those principles.[4]

<u>*PRINCIPLE 1*</u>*: Universal service reform should not reduce the amount of explicit support that the state receives from the interstate jurisdiction. Costs that previously have been borne by the interstate jurisdiction because of the old high cost fund should continue to be borne by federal universal service mechanisms.*

<u>Comment</u>: Ameritech agrees with this in principle. The Commission's 25% plan is historically consistent with the traditional state/federal separation split and closely approximates the current flow of support on a going-forward basis -- even though it expands the fund size from $1.7B to $2.5B. In order to ensure that there are no adverse impacts on those carriers most vulnerable to shifts in support flows, the Commission should modify its plan to permit rural carriers to continue to receive the support they receive today -- directly from the universal service fund -- without having to reduce interstate access charges to account for such support. Moreover, there is no indication that current level of federal support has been inadequate. In general terms, telephone penetration levels are high -- substantially above what they were at the divestiture. Therefore, this plan should continue to serve universal service needs adequately.

<u>*PRINCIPLE 2*</u>*: States have an obligation to take all reasonable steps as promptly as possible to reform existing intrastate universal support mechanisms to make them compatible with competitive local markets by making the subsidies explicit and portable.*

[4] Attachment A is a matrix comparing the major proposals against the 8 Principles. Attachment B is a more detailed narrative comparison. Attachment C is a comparison by state of current funding levels with the funding levels of three of the plans.

Comment: TA96 clearly envisions a shared federal and state responsibility to move from implicit to explicit support mechanisms. States have an obligation to support competitive entry by eliminating any implicit intrastate subsidies because they artificially suppress local rates below levels sufficient to attract competitive entry. In those cases where subsidies are necessary, they must be made explicit and portable and must be funded in a competitively neutral fashion.

Proposals to create a single combined interstate/intrastate universal service fund are not only of questionable legal validity,[5] they would also virtually prohibit states from dealing with particularly local issues associated with specific subsidies currently existing in intrastate rates.

PRINCIPLE 3: States should continue to collect as much of what is currently intrastate universal service support (whether implicit or explicit) from within their own state.

Comment: See Comment to Principle 2. Creating a larger federal fund could have the effect of encouraging states not to adequately address intrastate support issues. That would penalize subscribers and carriers in states which have already undertaken subsidy reform efforts by forcing them to contribute to the subsidization of rates in those states which have not. Such a result could not have been intended by Congress.

PRINCIPLE 4: Where a state has fully reformed its own universal service mechanisms and would be collecting as much of what is currently intrastate universal service support as

---

[5] The statute clearly requires separate state and federal mechanisms to deal with universal service. ¶254(b)(5) states: "Specific and Predictable Support Mechanisms. -- There should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service." (Emphasis added.) In addition, subsections (d) and (f) articulate very specifically that the Commission should implement an interstate fund to which interstate carriers should contribute and that states may implement separate intrastate funds to which intrastate carriers shall contribute.

possible, additional federal universal service support should be provided to any high cost areas where mechanisms in combination with baseline federal support are not sufficient to maintain rates at affordable levels.

Comment: Notwithstanding the legal issues noted above concerning providing intrastate support out of a federal fund, Ameritech would agree that is certainly premature to address such support until the state has undertaken its best efforts to deal with the intrastate subsidy issues.

PRINCIPLE 5: Federal universal service support should be the minimum necessary to achieve statutory goals.

Comment: The Commission's current 25% proposal, modified to permit rural telephone companies to continue to receive benefits at current levels, maintains the current support flow mechanism without creating a windfall. As noted at the beginning of these comments, whether recipient carriers "need" more support is an open question. The discussion of increasing federal support is also premature before states have addressed intrastate subsidy issues.

PRINCIPLE 6: Federal and state universal support mechanisms should collect contributions in a competitively neutral manner.

Comment: Limiting universal service fund sizes to the minimum necessary to achieve statutory goals will in fact minimize the disruption that subsidies naturally have on the competitive marketplace. However, it is also vitally important that the assessment, and then the recovery, of universal service costs be as competitively neutral as possible to minimize potential adverse impacts on the competitive marketplace and the benefit to customers that such competition brings.

<u>PRINCIPLE 7</u>: Federal and state universal service support mechanisms should encourage efficient investment and new plant and technologies by all eligible telecommunications carriers.

<u>Comment</u>: Economically rational rate structures, including and especially those in the state jurisdictions, are a necessary prerequisite to economically efficient investment and competitive entry. Any efforts dealing with the nature and level of subsidies must take rate structures into account as well.

<u>PRINCIPLE 8</u>: Federal and state universal service support mechanisms should promote service to historically under served areas -- Native American Nations, for example.

<u>Comment</u>: Permitting rural carriers to continue to obtain federal universal service funds in the same manner as they have heretofore will help achieve this goal.

* * *

In light of the above, the Commission should be careful to avoid requests to make the federal high cost fund bigger because, in this case, a bigger fund is not a better fund. Again, the

Commission's 25% plan, as modified, will maintain funding at approximately current levels and will encourage states responsibly to address intrastate support issues in a conscientious and deliberate manner. That will benefit consumers and provide a solid basis for the development of the competitive local marketplace.

Respectfully submitted,

Michael S. Pabian

Michael S. Pabian
Counsel for Ameritech
Room 4H82
2000 West Ameritech Center Drive
Hoffman Estates, IL 60196-1025
(847) 248-6044

Regulatory Specialist
Harry W. Albright

Dated: May 15, 1998
[MSP0129.doc]

Attachment A

Universal Service: Plans vs. Principles

Principle	FCC 25/75	US West IHCAP Plan	Ad Hoc Proposal	BellSouth Proposal	GTE Proposal
1. Maintain existing level of explicit Federal support.	Provides more support for all states except for Puerto Rico.	Provides more support for all states except for Puerto Rico.	Provides each state with at least as much as today. However, some states receive large windfalls.	Maintains existing support for rural carriers. Provides much more support for non-rural carriers.	Maintains existing support for rural carriers. Provides much more support for non-rural carriers.
2. Encourage states to fully reform existing support mechanisms to make them compatible with local competition.	Provides incentive for states to reform or eliminate existing implicit support by maintaining historical jurisdictional split. Reform and/or removal of implicit support will provide incentive for competition.	Provides some incentive for states to reform or eliminate existing implicit support but not as much as 25/75 plan does.	Provides far more support to certain states than provided today. States receiving such windfalls will have little incentive to reform their intrastate support.	May provides some incentive for states to reform or eliminate existing implicit support but not nearly as much as 25/75 plan does or even US WEST plan does.	Provides very little incentive for states to reform or eliminate existing implicit support.
3. States should continue to collect current levels of intrastate universal service support from within their own jurisdictions.	States initially collect as much but have opportunity to reform or reduce support to be compatible with competition.	Shifts a portion of current state responsibility to federal jurisdiction.	Provides far more support to certain states than provided today. States receiving such windfalls need not collect as much intrastate support.	States receiving additional federal support have reduced need to continue collecting as much support from intrastate mechanisms.	States receiving additional federal support have reduced need to continue collecting as much support from intrastate mechanisms.
4. Provide additional federal support to those states whose attempts to reform their existing implicit support results in unaffordable intrastate rates.	Gives states opportunity and time to reform implicit support mechanisms and demonstrate that reform will lead to unaffordable rates before additional federal support is provided.	Provides additional federal support prior to states attempting to reform support mechanisms and demonstrating that such reform will lead to unaffordable rates.	Provides additional federal support prior to states attempting to reform support mechanisms and demonstrating that such reform will lead to unaffordable rates.	Provides additional federal support prior to states attempting to reform support mechanisms and demonstrating that such reform will lead to unaffordable rates.	Provides additional federal support prior to states attempting to reform support mechanisms and demonstrating that such reform will lead to unaffordable rates.
5. Federal universal service support should be the minimum necessary to achieve statutory goals.	Fund size is $2.5B compared to current $1.7B.	Fund size is $4.2B compared to current $1.7B	Fund size is $2.4B compared to current $1.7B	Fund size is $4.9B compared to current $1.7B	Fund size is at least $8.0B compared to current $1.7B
6. Federal and State universal service support mechanisms should collect contributions in a competitively neutral manner.	Contributions based on interstate end-user retail revenues of all telecom. providers.	Contributions based on interstate end-user retail revenues of all telecom. providers.	Not addressed by plan but fulfilled if contributions come from all providers with equal opportunity to recover.	Contributions based on combined interstate and intrastate end-user retail revenues of all telecom. providers.	Contributions based on combined interstate and intrastate end-user retail revenues of all telecom. providers.
7. Federal and State support should encourage efficient investment by all eligible carriers.	Encourages the reform and/or minimization of support thereby promoting efficient investment and competition.	Somewhat encourages the reform of support consistent with efficient investment and competition but not as well as 25/75 plan.	States receiving windfalls have little incentive to provide environment that encourages efficient investment.	States receiving large increases in support have little incentive to provide environment that encourages efficient investment.	States receiving large increases in support have little incentive to provide environment that encourages efficient investment.
8. Federal and State mechanisms should promote service to historically underserved areas.	Provides rational basis for competition which will promote service to underserved areas.	May provide more rational basis for competition which will promote service to underserved areas.	States receiving windfalls have little incentive to provide efficient competitive environment to promote service to all areas.	States receiving large increases in support have little incentive to provide efficient competitive environment to promote service to all areas.	States receiving large increases in support have little incentive to provide efficient competitive environment to promote service to all areas.

Attachment B

Analysis of Universal Service Support Proposals
Plans vs. Principles

Below is a discussion of the major proposals for changing the Federal High Cost Support mechanism and how they align with the 8 principles that FCC Chairman William Kennard outlined in a February 9, 1998 speech to the National Association of State Utility Consumer Advocates.

<u>FCC "25/75"</u>

The FCC's original proposal, outlined in its May 8, 1998 Universal Service Order would fund 25% of the difference between the forward-looking cost of providing universal service, as determined by a proxy cost model, and a revenue benchmark. Contributions to the fund would be based on interstate and international end-user retail revenues and any receipts from the fund would be used to reduce interstate access charges (thus converting implicit support in access charges to explicit payments from the fund). The plan would only apply to non-rural carriers initially. Rural carriers would continue to receive support based on existing explicit mechanisms until at least 2001.

Contrary to popular myth, the FCC's 25/75 plan would, in virtually all cases result in an increase in federal support over that provided today for non-rural carriers (Principle 1 - See Attached). In those cases where support would be less than current levels, such as in Puerto Rico, the support level could be adjusted to maintain the current amount of federal support. Overall, based on the BCPM model using the FCC's Common Input assumption, support for non-rural carriers would be $1.1 billion, compared to $339 million today. Total support, including rural carriers would be $2.5 billion compared to $1.7 billion today.

In addition, the FCC's 25/75 plan fulfills principles 2 and 3 in that it provides an incentive for states to remove implicit support in their jurisdictions and/or to convert implicit support in their jurisdictions to explicit support, thereby providing a more economically rational environment for competition. In order to give states time to remove implicit support in their jurisdictions, the requirement that interstate access charges be reduced by the amount of federal support received could be phased in on a carrier specific basis. However, any support that goes beyond the current level of federal high cost support should result in immediate interstate access charge reductions.

The 25/75 plan is also compatible with Principle 4 because, after states have taken all reasonable steps to fulfill principles 2 and 3, the FCC has indicated its willingness to provide additional federal support to those states whose rates would be unaffordable or not reasonably comparable.

Principle 5 is fulfilled by the 25/75 plan in that, of all the plans submitted, it calls for the smallest amount of federal funding. Principle 6 is met by the plan in that all telecommunications providers would contribute to the fund on the basis of their interstate and international end user revenues and be afforded an opportunity to recover their contributions to the fund.

Finally, the 25/75 plan is consistent with principles 7 and 8 because it provides the appropriate federal/state partnership to provide for an economically rational competitive marketplace. Such a marketplace will provide the incentives for increased investment and promote service to historically underserved areas.

US WEST Interstate High-Cost Affordability Plan

The US WEST Interstate High-Cost Affordability Plan (IHCAP) proposes to modify the FCC's 25/75 approach by creating two benchmarks, a "Primary Benchmark" and a higher "Super Benchmark." Costs above the Super Benchmark would be funded 100% from the federal mechanism. Costs above the Primary Benchmark but below the Super Benchmark would be funded 25% by the federal mechanism. Federal funds received for costs above the Super Benchmark would be applied to intrastate rates; Federal funds received for costs between the benchmarks would be used to lower interstate access rates with the exception that the amount of existing federal support would be used to support intrastate rates. The IHCAP would only apply to non-rural carriers initially. Rural carriers would continue to receive support based on existing explicit mechanisms until at least 2001.

The IHCAP is consistent with principle 1 in that every state, with the exception of Puerto Rico would receive at least as much in federal support as it does today. As with 25/75, an exception could be made to the IHCAP to ensure that Puerto Rico maintains the existing level of support. Based on the BCPM model using the FCC's Common Input assumption, support for non-rural carriers under the IHCAP would be $2.8 billion, compared to $339 million today. Total support, including rural carriers would be $4.2 billion compared to $1.7 billion today.

The IHCAP does provide some incentive for states to remove implicit support in their jurisdictions and/or to convert implicit support in their jurisdictions to explicit support (Principle 2), however, it violates Principle 3 by shifting a portion of the current level of intrastate implicit support to the federal mechanism.

Similarly, Principle 4 is violated because the IHCAP would, at the outset, provide additional federal support to states <u>before</u> they've attempted to remove and/or convert all implicit subsidies within their jurisdictions.

Principle 5 is also violated by IHCAP because the fund size is larger than both the current fund and the 25/75 plan. Principle 6 is met by the plan in that all telecommunications providers would contribute to the fund on the basis of their interstate and international end user revenues and be afforded an opportunity to recover their contributions to the fund.

The IHCAP plan is somewhat consistent with principles 7 and 8 because it does provide some incentive for states to create an economically rational competitive marketplace thereby encouraging increased investment and promoting service to historically underserved areas.

Ad Hoc Working Group

The Ad Hoc Working Group proposal would create a 5-step process for determining federal universal service support. First, the proposal uses a forward-looking economic cost model to calculate the average forward-looking cost per line for each state, as well as the average forward-looking cost per line for the nation. The difference between these amounts is calculated for each state and multiplied by 75%. Second, the above process is repeated using embedded cost. That is, the difference between each state's average embedded cost and 105% of the national average embedded cost is calculated for each state and multiplied by 75%. Third, the lesser amount from steps 1 and 2 is determined for each state. Fourth, a "hold-harmless" level is calculated for each state equal to the federal support received by that state under existing mechanisms. For those states with above-average embedded costs that also currently make a net contribution to federal support mechanisms, the hold-harmless level is increased to ensure that a state's net contribution does not increase. Finally, the federal support for each state is set at the greater of Step 3 and Step 4. Federal support below the hold-harmless level is distributed by state commissions to carriers that receive support under the current system. Federal support above the hold-harmless level is distributed to other eligible telecommunications carriers according to a state distribution plan reviewed by the FCC.

Unlike the 25/75 and IHCAP proposals, the Ad Hoc proposal would treat non-rural and rural carriers together and would use the proxy model to determine statewide average costs rather than costs at a more disaggregated level such as the wire center or census block group. The proposal would replace the current High Cost Loop fund and DEM weighting support but would leave in place the Long-Term Support (LTS).

The Ad Hoc proposal is consistent with principle 1 because of the "hold-harmless" provisions which ensures that every state would receive at least as much in federal support as it does today. However, the Ad Hoc proposal would distribute support among the states in a disproportionate manner. For example, Mississippi would get $111.8 million under the Ad Hoc proposal, an amount that is 4 times the current level of federal funding they receive today. Similarly, Maine would receive $39 million (3.4 times current levels), Kentucky would receive $77 million (3 times current levels), West Virginia would receive $58 million (2.7 times current levels), Vermont would receive $32 million (2.7 times current levels), and South Carolina would receive $36 million (1.8 times current levels). Overall, 29 states would receive more support under the Ad Hoc proposal and 26 states and territories would receive the same amount of support.

The Ad Hoc proposal violates Principles 2 and 3 because it provides far more support to certain states than is provided today. Thus in those states receiving windfalls, there is no incentive or obligation to reform or eliminate existing intrastate implicit support flows nor is there a need to continue to collect the existing amount of intrastate implicit support.

Furthermore, the Ad Hoc proposal violates Principle 4 by immediately providing increased federal support to states before states have attempted to reform their existing intrastate support mechanisms or to demonstrate that reform of their existing intrastate support mechanisms will lead to rates that are generally unaffordable or non reasonably comparable.

Although the Ad Hoc proposal results in a overall fund size roughly equivalent to the 25/75 plan, ($2.4 billion derived by adding the existing amount of LTS to the Ad Hoc proposal level of support, and including the amount of existing support for areas that the Ad Hoc proposal does not address i.e., Guam, Virgin Islands, Puerto Rico, and the Northern Marianas Islands) it violates Principle 5 in that it is not the minimum amount of federal support necessary to achieve statutory goals. As discussed above, the Ad Hoc proposal disproportionately directs funds to states such that a number of states receive windfalls.

Although not addressed by the proposal, if contributions and recovery of contributions to the fund were handled as they are today, the proposal would be consistent with Principle 6. However, because the proposal disproportionately distributes support among the states, as explained above, this competitive neutrality principle is violated.

Finally, because the proposal provides windfalls to certain states, it violates Principles 7 and 8 in that, in states receiving the windfalls, there would be little, if any, incentive to invest efficiently or to promote service to unserved areas efficiently. Indeed, because embedded costs are part of the proposal, there may be a disincentive to efficient investment embodied in the proposal.

BellSouth Proposal

The BellSouth proposal, submitted on April 27, 1998 modifies the FCC's 25/75 plan in the following way. Instead of funding 25% of the difference between the forward-looking proxy cost and a revenue benchmark, the Bell South proposal would calculate the difference between the forward looking cost (calculated for areas no larger than a wire center) of providing supported services and the current price for supported services. Under the BellSouth proposal, the federal fund would be set equal to the total difference calculated above less the current explicit and implicit interstate support (current High Cost Fund, DEM weighting, LTS, and CCL and PICCs). The states would be responsible for the remaining difference between the cost less federal support and the current price for supported services. The BellSouth proposal would apply only to the non-rural carriers. The federal fund is estimated to be $4.9 billion in total, including the existing $1.4 billion in support for rural carriers. Contributions to the fund would be based on interstate and intrastate retail end user revenues and would be recovered from access charges via a "PICC-like" charge.

The BellSouth proposal fulfills Principle 1 in that it would maintain current levels of support for rural carriers. However, it would provide a substantial increase in support for non-rural carriers which may not be warranted.

The BellSouth plan does provide some incentive for states to remove implicit support in their jurisdictions and/or to convert implicit support in their jurisdictions to explicit support (Principle 2). Because BellSouth did not provide enough detail to evaluate the plan on a state by state or company by company basis, it is difficult to determine if the plan is consistent with Principle 3. That is, if the plan results in levels of federal support that go beyond the existing level of implicit support in access plus current explicit federal support, Principle 3 is violated since the states have no need to continue collecting current levels of implicit and explicit support from within their own jurisdictions. In that case, the plan would violate Principle 3 by shifting a portion of the current level of intrastate implicit support to the federal mechanism. Similarly, it is impossible to tell how the plan matches up with Principle 4 without knowing the state by state breakdown of federal support.

The BellSouth plan clearly violates Principle 5 as it provides support that is almost 3 times the current level of explicit federal support. The BellSouth plan attempts to immediately convert all current implicit and explicit federal support into explicit funding without allowing the marketplace, through a transitional process, to identify and remove implicit funding that may not be necessary.

Principle 6 is met by the plan in that all telecommunications providers would contribute to the fund on the basis of their combined interstate, intrastate, and international end user revenues and be afforded an opportunity to recover their contributions to the fund.

Principles 7 and 8 are violated by the plan since, immediate conversion of all implicit subsidies to explicit funding may result in a "make-whole" provision that shields inefficient ILECs from the discipline of the competitive marketplace in identifying and driving unnecessary support from current access charge levels.

<u>GTE Proposal</u>

GTE also submitted a proposal on April 27, 1998. Under the GTE proposal, a federal fund would be created that would replace all implicit support in interstate access charges plus the existing explicit support for non-rural carriers. In addition, the federal fund would provide some additional support to the states, particularly those with high costs and/or low revenues to help them replace some of the implicit support that is generated today by state rates.

GTE estimates that the size of the fund would be at least $8.0 billion, including at least $6.6 billion for non-rural carriers. Contributions to the fund would be based on carriers' interstate, intrastate and international retail revenues. Under the GTE plan, carriers would recover their contributions to the fund through a uniform percentage retail surcharge.

The GTE proposal fulfills Principle 1 in that it would maintain current levels of support for rural carriers. However, it would provide a substantial increase in support for non-rural carriers which may not be warranted.

The GTE plan violates Principle 2 because it provides additional support to states before they attempt to remove implicit support in their jurisdictions and/or to convert implicit support in their jurisdictions to explicit support. In addition, the plan violates Principle 3 because it does not require states to continue collecting the same level of existing implicit and explicit support from within their own state.

The GTE proposal also violates Principle 4 by immediately providing increased federal support to states before states have attempted to reform their existing intrastate support mechanisms or to demonstrate that reform of their existing intrastate support mechanisms will lead to rates that are generally unaffordable or non reasonably comparable.

Similar to the BellSouth plan, the GTE plan violates Principle 5 as it provides support that is at least 4.7 times the current level of explicit federal support. Like the BellSouth plan, the GTE plan attempts to immediately convert all current implicit and explicit federal support (as well as some intrastate support) into explicit funding without allowing the marketplace, through a transitional process, to identify and remove implicit funding that may not be necessary.

Principle 6 is met by the plan in that all telecommunications providers would contribute to the fund on the basis of their combined interstate, intrastate, and international end user revenues and be afforded an opportunity to recover their contributions to the fund.

Finally, Principles 7 and 8 are violated by the plan since, immediate conversion of all implicit subsidies to explicit funding may result in a "make-whole" provision that shields inefficient ILECs from the discipline of the competitive marketplace in identifying and driving unnecessary support from current access charge levels. Again, this is similar to the BellSouth plan.

Attachment C

Comparison of High Cost Plans
Millions of Dollars

State	Current	25/75 Amount	25/75 Increase	US WEST IHCAP Amount	US WEST IHCAP Increase	Ad Hoc Amount	Ad Hoc Increase
ALABAMA	$39.3	$62.6	$23.4	$109.4	$70.1	$39.3	$0.0
ALASKA	$62.6	$62.7	$0.1	$62.9	$0.3	$68.6	$6.0
ARIZONA	$28.7	$44.9	$16.2	$85.5	$56.8	$43.9	$15.1
ARKANSAS	$70.7	$82.7	$12.0	$111.2	$40.5	$114.0	$43.3
CALIFORNIA	$55.3	$100.0	$44.7	$206.8	$151.5	$55.3	$0.0
COLORADO	$45.9	$62.5	$16.7	$104.3	$58.4	$71.4	$25.5
CONNECTICUT	$1.4	$4.2	$2.8	$4.9	$3.5	$12.8	$11.4
DELAWARE	$0.0	$1.6	$1.6	$2.1	$2.1	$0.0	$0.0
DIST. OF COLUMBIA	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
FLORIDA	$24.2	$45.5	$21.3	$74.5	$50.2	$65.0	$40.8
GEORGIA	$72.3	$89.1	$16.8	$122.7	$50.4	$97.6	$25.4
HAWAII	$0.9	$3.0	$2.1	$5.6	$4.7	$3.5	$2.6
IDAHO	$28.9	$33.9	$4.9	$66.8	$37.8	$29.5	$0.6
ILLINOIS	$21.6	$62.0	$40.4	$129.4	$107.8	$21.6	$0.0
INDIANA	$16.5	$46.4	$29.9	$79.5	$63.0	$16.5	$0.0
IOWA	$27.5	$39.0	$11.5	$60.8	$33.3	$27.5	$0.0
KANSAS	$57.7	$79.3	$21.6	$130.0	$72.3	$69.3	$11.5
KENTUCKY	$25.6	$49.1	$23.5	$81.9	$56.3	$77.3	$51.7
LOUISIANA	$67.6	$88.4	$20.8	$122.5	$54.9	$67.6	$0.0
MAINE	$16.6	$27.3	$10.7	$42.9	$26.3	$55.5	$39.0
MARYLAND	$0.6	$7.1	$6.5	$11.3	$10.7	$0.6	$0.0
MASSACHUSETTS	$0.4	$4.0	$3.6	$6.8	$6.4	$0.4	$0.0
MICHIGAN	$33.7	$68.1	$34.4	$111.7	$78.1	$33.7	$0.0
MINNESOTA	$37.4	$68.4	$31.0	$137.9	$100.5	$37.4	$0.0
MISSISSIPPI	$28.2	$56.4	$28.2	$116.5	$88.4	$111.8	$83.7
MISSOURI	$50.4	$90.2	$39.8	$179.7	$129.2	$50.4	$0.0
MONTANA	$44.2	$56.0	$11.9	$88.0	$43.9	$56.1	$12.0
NEBRASKA	$19.7	$40.1	$20.4	$88.7	$69.0	$38.7	$19.0
NEVADA	$8.9	$15.1	$6.3	$29.9	$21.1	$8.9	$0.0

Attachment C

Comparison of High Cost Plans
Millions of Dollars

		25/75		US WEST IHCAP		Ad Hoc	
	Current	Amount	Increase	Amount	Increase	Amount	Increase
NEW HAMPSHIRE	$9.0	$14.2	$5.1	$21.2	$12.2	$17.6	$8.6
NEW JERSEY	$3.3	$3.0	($0.2)	$3.7	$0.5	$3.3	$0.0
NEW MEXICO	$35.2	$44.8	$9.6	$71.5	$36.2	$58.7	$23.4
NEW YORK	$37.9	$61.6	$23.6	$84.9	$46.9	$83.0	$45.1
NORTH CAROLINA	$40.6	$58.9	$18.3	$87.1	$46.5	$86.3	$45.8
NORTH DAKOTA	$21.2	$28.9	$7.7	$47.9	$26.7	$21.2	$0.0
OHIO	$14.8	$52.8	$38.0	$88.2	$73.5	$14.8	$0.0
OKLAHOMA	$59.9	$85.7	$25.8	$135.6	$75.7	$59.9	$0.0
OREGON	$37.1	$47.3	$10.2	$67.8	$30.8	$45.5	$8.4
PENNSYLVANIA	$25.6	$55.9	$30.4	$84.8	$59.3	$25.6	$0.0
RHODE ISLAND	$0.0	$0.6	$0.6	$0.7	$0.7	$0.0	$0.0
SOUTH CAROLINA	$45.2	$49.1	$3.9	$62.6	$17.4	$81.2	$36.0
SOUTH DAKOTA	$16.8	$26.3	$9.5	$50.0	$33.2	$18.3	$1.5
TENNESSEE	$27.8	$53.0	$25.2	$76.7	$48.9	$39.5	$11.7
TEXAS	$124.2	$220.3	$96.1	$467.5	$343.3	$152.9	$28.7
UTAH	$8.4	$13.2	$4.8	$21.8	$13.4	$13.7	$5.2
VERMONT	$11.8	$16.1	$4.2	$23.6	$11.7	$32.2	$20.4
VIRGINIA	$13.7	$43.6	$29.9	$79.4	$65.7	$13.7	$0.0
WASHINGTON	$43.5	$49.1	$5.6	$109.5	$66.0	$57.2	$13.8
WEST VIRGINIA	$21.2	$38.2	$17.0	$65.1	$43.9	$58.0	$36.8
WISCONSIN	$51.4	$76.4	$24.9	$114.9	$63.4	$51.4	$0.0
WYOMING	$21.4	$29.8	$8.4	$60.5	$39.1	$37.5	$16.1
GUAM	$1.1	$1.1	$0.0	$1.1	$0.0	$1.1	$0.0
N. MARIANA ISL.	$4.9	$4.9	$0.0	$4.9	$0.0	$4.9	$0.0
PUERTO RICO	$145.9	$1.1	($144.8)	$1.2	($144.7)	$145.9	$0.0
VIRGIN ISLANDS	$16.2	$16.2	$0.0	$16.2	$0.0	$16.2	$0.0
GRAND TOTAL	$1,724.8	$2,481.8	$757.0	$4,222.5	$2,497.7	$2,413.6	$688.8

CERTIFICATE OF SERVICE

I, Todd H. Bond, do hereby certify that a copy of the foregoing Comments of Ameritech has been served on all parties listed on the attached service list, via first class mail, postage prepaid, on this 15th day of May, 1998.

By: Todd H. Bond

Todd H. Bond

ANNE U MAC CLINTOCK
VICE PRESIDENT
REGULATORY AFFAIRS & PUBLIC POLICY
THE SOUTHERN NEW ENGLAND
TELEPHONE COMPANY
227 CHURCH STREET
NEW HAVEN CT 06510

PAUL H KUZIA VICE PRESIDENT
ENGINEERING AND REGULATORY
ARCH COMMUNICATIONS GROUP INC
1800 WEST PARK DRIVE SUITE 350
WESTBOROUGH MA 01581

KATHY L SHOBERT
DIRECTOR FEDERAL AFFAIRS
GENERAL COMMUNICATIONS INC
901 15TH STREET NW SUITE 900
WASHINGTON DC 20005

RANDY ZACH
TCA INC
3617 BETTY DRIVE SUITE I
COLORADO SPRINGS CO 80917

CHARLES C HUNTER
CATHERINE M HANNAN
ATTORNEYS FOR
TELECOMMUNICATIONS RESELLERS
ASSOCIATION
1620 I STREET NW SUITE 701
WASHINGTON DC 20006

ROBERT HOGGARTH
PERSONAL COMMUNICATIONS
INDUSTRY ASSOCIATION
500 MONTGOMERY STREET SUITE 700
ALEXANDRIA VA 22314-1561

JOSEPH A GODLES
ATTORNEY FOR
PANAMSAT CORPORATION
1229 19TH STREET NW
WASHINGTON DC 20554

PHILIP V OTERO
VICE PRESIDENT AND GENERAL
COUNSEL
GE AMERICAN COMMUNICATIONS INC
FOUR RESEARCH WAY
PRINCETON NJ 08540

RICHARD MCKENNA HQE03J36
ATTORNEY FOR
GTE SERVICE CORPORATION
P O BOX 152092
IRVING TX 75015-2092

GAIL L POLIVY
ATTORNEY FOR
GTE SERVICE CORPORATION
1850 M STREET NW SUITE 1200
WASHINGTON DC 20036

LON C LEVIN
VICE PRESIDENT AND REGULATORY COUNSEL
AMSC SUBSIDIARY CORPORATION
10802 PARK RIDGE BOULEVARD
RESTON VA 22091

ROBERT A MANSBACH
ATTORNEY FOR
COMCAST CORPORATION
6560 ROCK SPRING DRIVE
BETHESDA MD 20817

RAYMOND G BENDER JR
J G HARRINGTON
ATTORNEYS FOR
VANGUARD CELLULAR SYSTEMS INC
SUITE 800
1200 NEW HAMPSHIRE AVENUE NW
WASHINGTON DC 20037

CHRIS FRENTRUP
SENIOR REGULATORY ANALYST
MCI TELECOMMUNICATIONS CORP
1801 PENNSYLVANIA AVENUE NW
WASHINGTON DC 20036

DAVID R POE
YVONNE M COVIELLO
ATTORNEYS FOR
TIME WARNER COMMUNICATIONS HOLDING INC
1875 CONNECTICUT AVE NW SUITE 1200
WASHINGTON DC 20009

MARY MC DERMOTT
LINDA KENT
CHARLES D COSSON
ATTORNEYS FOR
THE UNITED STATES TELEPHONE ASSOC
1401 H STREET NW SUITE 600
WASHINGTON DC 20005

KATHLEEN Q ABERNATHY
DAVID A GROSS
ATTORNEYS FOR
AIRTOUCH COMMUNICATIONS INC
1818 N STREET NW
WASHINGTON DC 20036

JAMES R FORCIER
AIRTOUCH COMMUNICATIONS INC
ONE CALIFORNIA STREET 9TH FLOOR
SAN FRANCISCO CA 94111

RACHEL B FERBER
VICE PRESIDENT ASSISTANT GENERAL COUNSEL
360 COMMUNICATIONS COMPANY
8725 HIGGINS ROAD
CHICAGO IL 60631

ROBERT MC KENNA
KATHRYN MARIE KRAUSE
ATTORNEY FOR
US WEST INC
SUITE 700
1020 19TH STREET NW
WASHINGTON DC 20036

JAY C KEITHLEY
LEON M KESTENBAUM
H RICHARD JUHNKE
ATTORNEYS FOR
SPRINT CORPORATION
1850 M STREET NW SUITE 1100
WASHINGTON DC 20036

CRAIG T SMITH
ATTORNEY FOR
SPRINT CORPORATION
P O BOX 11315
KANSAS CITY MO 64112

THE HONORABLE JULIA JOHNSON
COMMISSIONER
FLORIDA PUBLIC SERVICE COMMISSION
CAPITAL CIRCLE OFFICE CENTER
2540 SHUMARD OAK BOULEVARD
TALLAHASSEE FL 32399-0850

STEVE ELLENBECKER CHAIRMAN
DOUG DOUGHTY DEPUTY CHAIRMAN
KRISTIN H LEE COMMISSIONER
WYOMING PUBLIC SERVICE COMMISSION
700 WEST 21ST STREET
CHEYENNE WYOMING 82002

PAT WOOD III
ROBERT W GEE
JUDY WALSH
PUBLIC UTILITY COMMISSION OF TEXAS
1701N CONGRESS AVE
AUSTIN TX 78711-3326

DAVID A BECKER ESQ
ASSISTANT ATTORNEY GENERAL
COLORADO PUBLIC UTILITIES
COMMISSION
1580 LOGAN STREET OFFICE LEVEL 2
DENVER CO 80203

RICHARD M SBARATTA REBECCA LOUGH
M ROBERT SUTHERLAND
ATTYS FOR BELLSOUTH CORPORATION
BELLSOUTH TELECOMMUNICATIONS
INC
1155 PEACHTREE STREET NE STE 1700
ALTANTA GA 30309-3610

LAWRENCE W KATZ
ATTORNEY FOR
THE BELL ATLANTIC TELEPHONE CO
EIGHTH FLOOR
1320 NORTH COURT HOUSE ROAD
ARLINGTON VA 22201

DAVID KAUFMAN ESQ
NEW MEXICO STATE CORPORATION
COMMISSION
P O BOX 1269
SANTA FE NM 87504-1269

MARK C ROSENBLUM
PETER H JACOBY
JUDY SELL
ATTORNEYS FOR AT&T
ROOM 3244J1
295 NORTH MAPLE AVENUE
BASKING RIDGE NJ 07920

MICHAEL F ALTSCHUL VICE PRESIDENT
GENERAL COUNSEL
RANDALL S COLEMAN VP REGULATORY
CELLULAR TELECOMMUNICATIONS
INDUSTRY ASSOCIATION
1250 CONNECTICUT AVE NW SUITE 200
WASHINGTON DC 20036

JAMES S BLASZAK
KEVIN S DI LALLO
ATTORNEYS FOR
AD HOC TELECOMMUNICATIONS USERS
COMMITTEE
1300 CONNECTICUT AVE NW SUITE 500
WASHINGTON DC 20036-1703

DAVID A IRWIN
ATTORNEY FOR
ITCS INC
1730 RHODE ISLAND AVENUE NW
WASHINGTON DC 20036

PETER A ROHRBACH
DAVID L SIERADZKI
ATTORNEYS FOR
GE AMERICAN COMMUNICATIONS INC
555 THIRTEENTH STREET NW
WASHINGTON DC 20004

LEONARD J KENNEDY
RICHARD S DENNING
COUNSEL FOR
NEXTEL COMMUNICATIONS INC
SUITE 800
1200 NEW HAMPSHIRE AVE NW
WASHINGTON DC 20036-6802

JOE D EDGE
RICHARD J ARSENAULT
ATTORNEYS FOR
PUERTO RICO TELEPHONE COMPANY
901 FIFTEENTH STREET NW
WASHINGTON DC 20005

JAMES VOLZ ESQ
PETER M BLUHM ESQ
VERMONT DEPARTMENT OF PUBLIC
SERVICE
DRAWER 20
MONTPELIER VT 05620-2601

RICHARD A ASKOFF
ATTORNEY FOR
NATIONAL EXCHANGE CARRIER ASSOC
100 SOUTH JEFFERSON ROAD
WHIPPANY NJ 07981

JAMES ROWE
ALASKA TELEPHONE ASSOCIATION
4341 B STREET SUITE 304
ANCHORAGE AK 99503

DR BARBARA O'CONNOR
CHAIRWOMAN
MARY GARDINER JONES PRESIDENT
ALLIANCE FOR PUBLIC TECHNOLOGY
901 15TH STREET NW SUITE 230
WASHINGTON DC 20005

SAMUEL LOUDENSLAGER
ARKANSAS PUBLIC SERVICE COMMISSION
P O BOX 400
LITTLE ROCK AR 72203-0400

HEIKKI LEESMENT ESQ
DEPUTY RATEPAYER ADVOCATE
STATE OF NJ DIVISION OF THE
RATEPAYER ADVOCATE
31 CLINTO ST 11TH FLOOR
P O BOX 46005
NEWARK NJ 07101

PAUL B JONES
JANIS A STAHLHUT
DONALD SHEPHEARD
TIME WARNER COMMUNICATIONS
HOLDING INC
300 FIRST STAMFORD PLACE
STAMFORD CT 06902-6732

ANGELA J CAMPBELL ILENE R PENN
JOHN PODESTA
INSTITUTE FOR PUBLIC
REPRESENTATION
GEORGETOWN UNIVERSITY LAW CTR
600 NEW JERSEY AVE NW
WASHINGTON DC 20001

LINDA KENT
ASSOCIATE GENERAL COUNSEL
UNITED STATES TELEPHONE ASSOC
1401 H STREET NW SUITE 600
WASHINGTON DC 20005-2164

KATHERINE GRINCEWHICH
OFFICE OF THE GENERAL COUNSEL
UNITED STATES CATHOLIC CONFERENCE
3211 4TH STREET NE
WASHINGTON DC 20017-1194

KEVIN TAGLANG
BENTON FOUNDATION
1634 EYE STREET NW
WASHINGTON DC 20006

SAM COTTEN
ALASKA PUBLIC UTILITIES COMMISSION
1016 WEST SIXTH AVENUE SUITE 400
ANCHORAGE AK 99501

KENNETH BURCHETT
VICE PRESIDENT
GVNW INC/MANAGEMENT
P O BOX 230399
PORTLAND OR

DAVID L SHARP
CEO
PRESIDENT
VIRGIN ISLANDS TELEPHONE CORP
P O BOX 6100
ST THOMAS US VIRGIN ISLANDS 00801

ROBERT M HALPERIN
ATTORNEY FOR
THE STATE OF ALASKA
1001 PENNSYLVANIA AVENUE NW
WASHINGTON DC 20004

MARGOT SMILEY HUMPHREY
ATTONREY FOR
THE RURAL TELEPHONE COALITION
1150 CONNECTICUT AVE NW SUITE 1000
WASHINGTON DC 20036

LISA M ZAINA
STUART POLIKOFF
OPASTCO
21 DUPONT CIRCLE NW SUITE 700
WASHINGTON DC 20036

DAVID COSSON
L MARIE GUILLORY
NCTA
2626 PENNSYLVANIA AVE NW
WASHINGTON DC 20037

HERBERT E. MARKS
JAMES M FINK
ATTORNEYS FOR
THE STATE OF HAWAII
1201 PENNSYLVANIA AVENUE NW
WASHINGTON DC 20044

SUE D BLUMENFELD MICHAEL G JONES
JENNIFER DESMOND MC CARTHY
ATTYS FOR LORAL SPACE &
COMMUNICATIONS
THREE LAFAYETTE CENTRE
1155 21ST STREET NW
WASHINGTON DC 20036

CHRISTOPHER W SAVAGE
ATTORNEY FOR
CENTENNIAL CELLULAR CORP
1919 PENNSYLVANIA AVE NW SUITE 200
WASHINGTON DC 20006

HENRY D LEVINE
LAURA F H MC DONALD
ATTORNEYS FOR
NYCHA MASTERCARD AND VISA
1300 CONNECTICUT AVENUE NW
WASHINGTON DC 20036

JAMES S BLASZAK
JANINE F GOODMAN
ATTORNEYS FOR
IBM
1300 CONNECTICUT AVE NW SUITE 500
WASHINGTON DC 20033-1703

ALAN R SHARK
PRESIDENT
AMERICAN MOBILE
TELECOMMUNICATIONS ASSOCIATION
1150 18TH STREET NW SUITE 250
WASHINGTON DC 20036

STEVE HAMLEN
PRESIDENT
UNITED UTILITIES INC
5450 A STREET
ANCHORAGE AK 99518-1291

RAUL R RODRIGUEZ
DAVID S KEIR
ATTORNEYS FOR
COLUMBIA COMMUNICATIONS CORP
2000 K STREET NW SUITE 600
WASHINGTON DC 20554

ELISABETH H ROSS
ATTORNEY FOR
THE VERMONT PUBLIC SERVICE BOARD
AND THE VERMONT DEPT OF PS
1155 CONNECTICUT AVE NW SUITE 1200
WASHINGTON DC 20036-4308

BENJAMIN H DICKENS JR
GERARD J DUFFY
COUNSEL FOR THE WESTERN ALLIANCE
2120 L STREET NW
WASHINGTON DC 20037

MARIANNE DEAGLE
ASSISTANT GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD ROAD
TOPEKA KS 66604-4027

DAVID HIGGINBOTHAM
PRESIDENT
TELETOUCH LICENSES INC
P O BOX 7370
TYLER TX 75711

KENNETH D SALOMON
J G HARRINGTON
ATTORNEYS FOR
IOWA TELEOMMUNICATIONS AND
TECHNOLOGY COMMISSION
1200 NEW HAMPSHIRE AVE NW STE 800
WASHINGTON DC 20036

DAVID W DANNER
SENIOR POLICY ADVISOR
WASHINGTON STATE DEPARTMENT OF
INFORMATION SERVICES
P O BOX 42445
OLYMPIA WA 98504-2445

FREDERICK M JOYCE
RONALD E QUIRK JR
ATTORNEYS FOR
OZARK TELECOM INC
1019 19TH STREET PH-2
WASHINGTON DC 20036

SANDRA ANN Y H WONG
ATTORNEY FOR
SANDWICH ISLES COMMUNICATIONS INC
PAUAHI TOWER SUITE 2750
1001 BISHOP STREET
HONOLULU HAWAII 96813